

TECHNO

FUNDA

Gujarat Gas Limited

Stock Idea

BUY

Gujarat Gas Limited target of Rs.135 has achieved, now it is advisable to book profit.

Note: This report is in continuation of our following report dated 25th February, 2019.

Nifty: 10,792

Sensex: 35,871

CMP	Rs120.5
BUY range	Rs121-Rs119
Stop Loss	Rs114.8
Target Price	Rs135+
Potential Upside/Downside	+11%
Tenure	2-3weeks

Key Stock Data

Sector	Oil & Gas
Bloomberg/Reuters	GUJGAIN /GGAS.BO
Shares o/s (mn)	688
Market cap. (Rs mn)	80,714
Market cap. (US\$ mn)	1,132
3-m daily average vol.	119

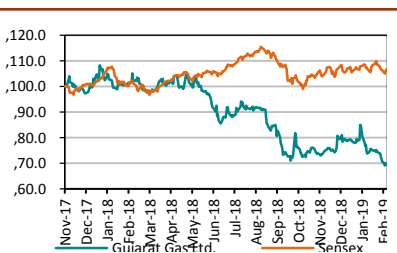
Price Performance

52-week high/low	Rs181.9/115.0
	-1m -3m -12m
Absolute (%)	(7) (6) (31)
Rel to Sensex (%)	(6) (8) (36)

Shareholding Pattern (%)

Promoters	60.9
FII's/NRI's/OCBs/GDR	14.0
MFs/Banks/FIs	3.4
Public & Others	21.7

Relative to Sensex



Source: Capitaline

Profile:

Gujarat Gas Limited, formerly GSPC Distribution Networks Limited, is engaged in the natural gas business in Gujarat. The Company is engaged in City Gas Distribution, including sale, purchase, supply, distribution, transport, trading in natural gas, compressed natural gas (CNG), liquefied natural gas (LNG), liquefied petroleum gas (LPG) and other gaseous form through pipelines, trucks/trains or such other suitable mode for transportation/distribution of natural gas, CNG, LNG, LPG and other gaseous form. The Company supplies Piped Natural Gas (PNG) for Domestic Usage to over 1,080,000 households in total in the state of Gujarat. The Company operates the HAPi pipeline, which is a 73.2 kilometers long and 18-inch diameter natural gas pipeline. The Company supplies PNG to over 11,900 commercial and non-commercial premises across the state of Gujarat. It supplies PNG to approximately 2,835 industrial customers in Gujarat, covering all the industrial zones across the state.

Investment Rationale

- Spot LNG price, which averaged US\$7.8/mmbtu in Jan'19 and US\$9.5/mmbtu in Q3FY19 has now come down to US\$6/mmbtu (US\$6.2/mmbtu averaged in TD Feb'19). Lower volume offtake from Asian region and weak global economic outlook led to the fall in prices.
- Lower spot LNG prices are positive for CGD (city gas distribution) businesses especially Gujarat Gas as over 70% of its business comes from industrial PNG segment. Further, the company has delivered strong result in Q3FY19 led by positive surprise in margins.
- Valuation:**
The stock is trading closer to its 52-wk low levels and currently trading at a P/E multiple of 15.5x on consensus FY20E and 12.3x on FY21E compared to IGL's P/E multiple of 20x and 18x respectively. Though, IGL would continue to enjoy higher multiple but gap should narrow down with lower spot LNG prices.
- We believe risk-reward is quite favourable at current price for Gujarat Gas.**

Technical Overview



- The Stock has crossed the recent inner swing high and established uptrend higher-top higher-bottom swing sequence.
- The stock has corrected from the high of 158.0 to the low of 115.0 and now depicting positive inclination. It is likely to retrace till 50% retracement level of this corrective move which is placed at 136.5 levels.
- The momentum oscillator RSI (14-period) is showing bullish diversion with positive crossover by turning from oversold levels.
- Considering the factors mentioned above we can build a long position in the stock with 2-3 weeks perspective and target can be placed at around 135, with the stop loss of 114.8.

Research Head

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